

**METROPOLITAN
EDUCATIONAL COUNCIL**

LIABILITY, FLEET & PROPERTY PROGRAM

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

January 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Council Committee
Metropolitan Educational Council Liability,
Fleet and Property Program
2100 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditors' Report* of the Metropolitan Educational Council Liability, Fleet and Property Program, Franklin County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Metropolitan Educational Council Liability, Fleet and Property Program is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 29, 2006

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the accompanying financial statements of the Metropolitan Educational Council Liability, Fleet and Property Program (the Program) of the Metropolitan Educational Council as of and for the years ended June 30, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Charles F. Heid, CPA

As discussed in Note 1 to the financial statements, the financial statements of the Program are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Metropolitan Educational Council that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the Metropolitan Educational Council as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the business-type activities of the Metropolitan Educational Council Liability, Fleet and Property Program as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 7, 2006, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 17-19 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gilmore, Jason ; Mahler, LTD

November 7, 2006

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The discussion and analysis of the Metropolitan Educational Council Liability, Fleet and Property Program's (MEC LFP Program) performance provides an overview of MEC LFP Program's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at MEC LFP Program's financial performance as a whole.

HIGHLIGHTS

At June 30, 2006 MEC LFP Program's net assets increased \$47,037, total assets increased by \$260,072 while, total liabilities increased by \$213,035.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand MEC LFP Program's financial position.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets provide information about the activity of MEC LFP Program as a whole. All MEC LFP Program transactions are accounted for in a single enterprise fund

DESCRIPTION OF FINANCIAL STATEMENTS

The Balance Sheets and Statement of Revenues, Expenses and Changes in Net Assets reflect how MEC LFP Program did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report MEC LFP Program's net assets and changes in net assets. This change in net assets is important because it tells the reader whether the financial position of MEC LFP Program has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

FINANCIAL ANALYSIS

As previously noted, total assets increased by \$260,072 or 82% at June 30, 2006. Cash and cash equivalents increased \$252,078, while deposits in escrow account increased by \$7,994. On the liability side, total liabilities increased by \$213,035 or 74% in fiscal year 2006. Loss reserves increased by \$226,321, payables to Metropolitan Educational Council decreased \$23,678, and accrued professional fees increased by \$10,500 in fiscal year 2006. Total revenues were down \$20,065 while total expenses were down \$36,173. Ending net assets were \$77,966 at June 30, 2006 compared to \$30,929 at June 30, 2005. MEC LFP Program was able to offset the decrease in member contributions with the decrease in expenses. An increase in net assets of \$47,037 had a positive impact on the financial condition of MEC LFP Program.

Table 1 provides a summary of MEC LFP Program's Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Total assets	\$ 578,872	\$ 318,800
Total liabilities	<u>500,906</u>	<u>287,871</u>
Total net assets (unrestricted)	<u>\$ 77,966</u>	<u>\$ 30,929</u>
Total revenues	\$ 1,621,100	\$ 1,641,165
Total expenses	<u>1,574,063</u>	<u>1,610,236</u>
Net change in net assets	47,037	30,929
Net assets at beginning of year	<u>30,929</u>	<u>0</u>
Net assets at end of year	<u>\$ 77,966</u>	<u>\$ 30,929</u>

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

BUDGETARY HIGHLIGHTS

MEC LFP Program does not draft or approve a budget in the tradition of most government agencies. The insurance adjuster reviews MEC LFP Program's prior claims history and helps MEC LFP Program set billing rates for its twenty-four members for the following year. This process is completed in May of each year. If the rates are set too high, and/or the claims are overestimated, MEC LFP Program will have an increase in net assets. This is what happened in fiscal year 2006. If the rates are set too low, and/or the claims are underestimated, MEC LFP Program will have a decrease in net assets.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of MEC LFP Program's finances for all those interested in MEC LFP Program's well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Elmo Kallner, Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
BALANCE SHEETS
June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 561,163	\$ 309,085
Deposit in escrow account	<u>17,709</u>	<u>9,715</u>
Total assets	<u>\$ 578,872</u>	<u>\$ 318,800</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Loss reserves (Note 4)	\$ 479,906	\$ 253,585
Due to Metropolitan Educational Council	0	23,786
Accrued professional fees	<u>21,000</u>	<u>10,500</u>
Total liabilities	500,906	287,871
Net assets	<u>77,966</u>	<u>30,929</u>
Total liabilities and net assets	<u>\$ 578,872</u>	<u>\$ 318,800</u>

The accompanying notes are an integral part of these financial statements.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues		
Member contributions	\$ 1,600,440	\$ 1,636,897
Operating expenses		
Excess insurance premiums	891,694	1,039,843
Loss and loss adjustment expense	505,510	401,405
Program administrator fees	115,275	99,703
Claim processing fees and expenses	39,750	25,500
Professional fees	11,000	34,286
Management fees to Metropolitan Educational Council	10,064	9,043
Bank charges	770	456
Total operating expenses	<u>1,574,063</u>	<u>1,610,236</u>
Operating income	26,377	26,661
Non-operating revenue		
Interest income	<u>20,660</u>	<u>4,268</u>
Change in net assets	47,037	30,929
Net assets		
Beginning of year	30,929	0
End of year	<u>\$ 77,966</u>	<u>\$ 30,929</u>

The accompanying notes are an integral part of these financial statements.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Cash received from members	\$ 1,600,440	\$ 1,636,897
Cash paid to vendors and others	1,369,022	1,332,080
Net cash provided by operating activities	<u>231,418</u>	<u>304,817</u>
 Cash flows from investing activities		
Interest received on cash and cash equivalents	<u>20,660</u>	<u>4,268</u>
Net cash provided by investing activities	<u>20,660</u>	<u>4,268</u>
 Net increase in cash and cash equivalents	252,078	309,085
 Cash and cash equivalents, beginning of year	<u>309,085</u>	<u>0</u>
 Cash and cash equivalents, end of year	<u><u>\$ 561,163</u></u>	<u><u>\$ 309,085</u></u>
 Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 26,377	\$ 26,661
 Changes in operating assets and liabilities:		
Deposit in escrow account	(7,994)	(9,715)
Loss reserves	226,321	253,585
Due to Metropolitan Educational Council	(23,786)	23,786
Accrued professional fees	10,500	10,500
Net cash provided by operating activities	<u><u>\$ 231,418</u></u>	<u><u>\$ 304,817</u></u>

The accompanying notes are an integral part of these financial statements.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 and 2005**

Note 1—Description of the organization

The Metropolitan Educational Council, Franklin County, Ohio, (MEC) is a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. The regional council of governments is directed by a twenty-nine member Governing Board. The regional council of governments provides educational services to the youth and adults in Franklin County and surrounding areas by the cooperative action of the membership.

The Metropolitan Educational Council Liability, Fleet and Property Program (MEC LFP Program) was organized in 2004 as authorized by Section 2744.081 of the Ohio Revised Code. Pursuant to Section 2744.081 of the Ohio Revised Code, the MEC LFP Program is a Committee of the MEC, a consortium of school districts and related agencies formed for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the MEC LFP Program are school districts located in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the MEC LFP Program and its administrator.

The MEC LFP Program was established to provide property, general liability, school leader's errors and omissions, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members. Coverage programs are developed specific to each member's risk management needs and the related premiums for coverage and administrative costs are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The MEC LFP Program has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided in excess of the member's deductible.

The MEC LFP Program has chosen to adopt the forms and endorsements of conventional insurance coverage and to purchase specific and aggregate stop loss insurance in excess of a given retention to pay individual and collective losses. Therefore, the individual members are only responsible for their self-insured retention (deductible) amounts that may vary from member to member. See Note 3 for further explanation.

The MEC LFP Program retains the first \$100,000 of each loss for general liability, automobile, crime and surety and property claims. Each Member has a maintenance deductible of \$1,000 for property, automobile physical damage and crime claims. Stop loss insurance is purchased for the MEC LFP Program and is fully funded by Member contributions. The Stop loss coverage for the year ended June 30, 2006 and 2005 was for claims in excess of \$500,289 and \$403,381, respectively. Coverage for boiler & machinery and school leaders' errors & omissions are purchased outside of the MEC LFP Program's retention program.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2006 and 2005**

Note 1—Description of the organization-continued

The MEC LFP Program has an agreement with Marsh USA to provide marketing, excess insurance placement, and support services for the group. Specialty Claims provides claims adjusting and administrative services to the MEC LFP Program. See Note 2 for further discussion.

The MEC LFP Program served the insurance purchasing needs of 24 public school districts during the years ended June 30, 2006 and 2005.

The MEC LFP Program is comprised exclusively of Ohio educational subdivisions. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of purchasing excess and stop-loss insurance coverage. See Note 3 for further discussion.

Note 2—Summary of significant accounting policies

Basis of accounting

The financial statements are prepared on the accrual basis of accounting whereby revenues are accounted for as earned and expenses as incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Council follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

The Program follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10, "Accounting and Reporting for Risk Financing and Related Insurance Issues" and GASB Statement No. 30, "Risk Financing Omnibus, An Amendment of GASB 10," as applicable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2006 and 2005**

Note 2—Summary of significant accounting policies-continued

Cash and cash equivalents

For cash flow purposes, the MEC LFP Program considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Loss reserves

The MEC LFP Program has not established claims liabilities on reinsured risks except for those that it determined are liabilities which are not covered by excess insurers as further discussed in Note 3. For those risks, the MEC LFP Program has established claims liabilities that are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled ("case" reserves) and of claims that have been incurred but not reported ("IBNR" reserves), net of estimated salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual and industry data that reflects past inflation and on other factors and are considered to be appropriate modifiers of past experience. See Notes 3 and 4 for further discussion.

The methods of making such estimates and establishing the ultimate liability for losses and loss adjustment expenses are reviewed regularly. Management believes that the estimates of the ultimate liability for losses and loss adjustment expenses as of June 30, 2006 and 2005 are reasonable and reflective of anticipated ultimate experience. However, it is possible that the MEC LFP Program's actual incurred losses and loss adjustment expenses will not conform to the assumptions inherent in the determination of the liability. Accordingly, it is reasonably possible that the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2006 and 2005**

Note 3—Deposits

The Program has designated Fifth Third Bank for the deposit of funds. The MEC LFP Program's cash and cash equivalents are primarily subject to custodial credit risk, as further explained below.

Custodial credit risk is the risk that in the event of bank failure, MEC LFP Program's deposits may not be returned to it. Protection of MEC LFP Program's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of MEC LFP funds shall be required to pledge as security for repayment of all public moneys.

At June 30, 2006, the carrying value of the MEC LFP Program's deposits was \$561,163 and the bank balance was \$561,129. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation and \$461,129 was uninsured and collateralized by securities held by the pledging institution's trust department, not in the MEC LFP Program's name.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2006 and 2005**

Note 4—Loss reserves

The net balance of unpaid losses and loss adjustment expense reserves at June 30, 2006 and 2005 represent the MEC LFP Program's estimate of the ultimate cost of loss and loss adjustment expenses that have been reported but not settled and that have been incurred but not reported, net of estimated salvage and subrogation. The activity in the losses and loss adjustment expense reserves is summarized as follows:

	2006	2005
Unpaid claims and claim adjustment expense at beginning of year	\$ 253,585	\$ 0
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	182,809	401,405
Increases in provision for insured events of prior years	330,855	0
Total incurred claims and claim adjustment expenses	513,664	401,405
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(152,875)	(147,820)
Claims and claim adjustment expenses attributable to insured events of prior years	(134,468)	0
Total payments	(287,343)	(147,820)
Total unpaid claims and claim adjustment expenses at end of year	\$ 479,906	\$ 253,585

The actuarial determination of the unpaid losses and loss adjustment expense reserves was prepared by Mercer Oliver Wyman Actuarial Consulting, Inc. (Mercer). Mercer is owned by the same holding company that owns Marsh USA, the administrator. See Note 1 for further discussion.

Note 5—Member Withdrawal

One member school district withdrew from the MEC LFP Program during the year ended June 30, 2006. In accordance with this agreement, the withdrawing member paid a net penalty of \$13,711. Upon withdrawal, the member becomes responsible for claims which occur on or after the withdrawal date.

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2006 and 2005**

Note 6—Excess Insurance

Excess insurance coverages provided by the MEC LFP Program above the \$100,000 retention per loss are \$250,000,000 for any one property loss, \$4,000,000 in the aggregate for flood and earthquake losses and \$6,000,000 any one occurrence and policy aggregate per member for liability losses. In the event the aggregate of all losses exceeds the Stop Loss calculation for the fiscal year, excess insurance is purchased to cover the first \$100,000 of any additional covered loss.

In the event that any of the excess insurance companies are unable to meet their obligations under the existing excess insurance agreements, the MEC LFP Program would be liable for such defaulted amounts. The MEC LFP Program evaluates the financial condition of its excess insurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from insurer insolvencies.

Premiums of \$891,694 and \$1,039,843 were paid to excess insurers for the years ended June 30, 2006 and 2005, respectively.

SUPPLEMENTARY INFORMATION

**METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
CLAIMS DEVELOPMENT INFORMATION
For the Years Ended June 30, 2006 and 2005**

	Fiscal Year and Policy Years Ended	
	2006	2005
Required contribution and investment revenue:		
Earned	\$ 1,600,440	\$ 1,636,897
Ceded	1,397,204	1,441,248
Net earned	203,236	195,649
Unallocated expenses	21,834	19,999
Estimated claims and expenses, end of policy year:		
Incurred	428,202	378,928
Ceded	-	-
Net incurred	428,202	378,928
Net paid (cumulative) as of:		
End of policy year	124,489	182,444
One year later	-	298,986
Re-estimated ceded claims and expenses	-	-
Re-estimated net incurred claims and expenses:		
End of policy year	428,202	378,928
One year later	-	392,619
Increase (decrease in estimated net incurred claims and expenses from end of policy year	-	13,691

The accompanying notes are an integral part of these financial statements

GILMORE, JASION & MAHLER, LTD

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the financial statements of Metropolitan Educational Council Liability, Fleet and Property Program (the Program) as of and for the year ended June 30, 2006, and have issued our report thereon, dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Charles F. Heid, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Committee Members and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

November 7, 2006



**Auditor of State
Betty Montgomery**

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**METROPOLITAN EDUCATIONAL COUNTY LIABILITY,
FLEET AND PROPERTY PROGRAM**

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2007**